

*In the opinion of Bingham McHale LLP, Indianapolis, Indiana ("Bond Counsel"), under existing law, interest on the Bonds (as hereinafter defined) is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds for federal income tax purposes. Such excludability is conditioned on continuing compliance by the Bond Bank and the Qualified Entity (each as defined herein) with certain tax covenants described herein. In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from taxation in the State of Indiana for all purposes except the Indiana inheritance tax and the Indiana financial institutions tax. See TAX MATTERS and Appendix B.*

**\$8,935,000**  
**INDIANA BOND BANK**  
**SPECIAL PROGRAM BONDS, SERIES 2005 B**  
**(Town of Merrillville Redevelopment District)**

Dated: Date of Delivery

Due as shown on the inside cover.

The Indiana Bond Bank ("Bond Bank") Special Program Bonds, Series 2005 B (Town of Merrillville Redevelopment District) (the "Bonds") are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Bonds will be made in book-entry-only form, in the denomination of \$5,000 and integral multiples thereof. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Bonds. Interest on the Bonds is payable on February 15 and August 15 of each year commencing February 15, 2006 and such interest, together with the principal of the Bonds, will be paid directly to DTC by U.S. Bank National Association, as trustee (the "Trustee") under a Trust Indenture, dated as of August 1, 2005 (the "Indenture"), as more fully described herein, so long as DTC or its nominee is the registered owner of the Bonds. The final disbursement of such payments to the Beneficial Owner of the Bonds will be the responsibility of the DTC Direct Participants and the Indirect Participants, all as defined and more fully described herein under "THE BONDS - Book-Entry-Only System."

Payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued upon the delivery of the Bonds by XL Capital Assurance. See "BOND INSURANCE" and Appendix C.



The Bonds are authorized by a resolution adopted by the Board of Directors of the Bond Bank and are issued under and secured by the Indenture, all pursuant to the laws of the State of Indiana (the "State"), particularly Indiana Code 5-1.5 (the "Act"), for the purpose of providing funds to purchase special taxing district bonds (the "Qualified Obligations") of the Town of Merrillville Redevelopment District (the "Qualified Entity") which is authorized under Indiana law to issue the Qualified Obligations to fund the cost of capital projects and to refund outstanding indebtedness. The Qualified Obligations are payable by the Qualified Entity from a special tax (an ad valorem property tax) to be levied upon all of the taxable property within the boundaries of the Town of Merrillville Redevelopment District (the "District"). The boundaries of the District are coterminous with the boundaries of the Town of Merrillville. The principal of and interest on the Bonds are payable from the proceeds of Qualified Obligation Payments (as defined herein) and other moneys held under the Indenture.

The Bonds maturing on, or after, February 15, 2017 are subject to optional redemption prior to maturity on and after February 15, 2016 at par.

The Bonds are payable by the Bond Bank solely from the revenues and other funds of the Bond Bank pledged therefor under the Indenture. Such revenues and funds include payments by the Qualified Entity on the Qualified Obligations ("Qualified Obligation Payments"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE BONDS AND THE INTEREST ON THEM ARE LIMITED OBLIGATIONS OF THE BOND BANK PAYABLE SOLELY OUT OF THE REVENUES AND FUNDS OF THE BOND BANK PLEDGED THEREFOR UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE BONDS AND THE INTEREST PAYABLE THEREON DO NOT CONSTITUTE A DEBT, LIABILITY OR LOAN OF THE CREDIT OF THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE QUALIFIED ENTITY, UNDER THE CONSTITUTION AND LAWS OF THE STATE OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE QUALIFIED ENTITY. THE BOND BANK HAS NO TAXING POWER.

The Bonds are being offered by Fifth Third Securities Inc. (the "Underwriter"), when, as and if issued by the Bond Bank and received by the Underwriter subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Bingham McHale LLP, Indianapolis, Indiana, and Bond Counsel. Certain legal matters will be passed on for the Bond Bank by its General Counsel, Barnes & Thornburg LLP, Indianapolis, Indiana, for the Underwriters by their counsel, Sommer Barnard Attorneys, P.C., Indianapolis, Indiana, and for the Qualified Entity by its bond counsel, Baker & Daniels LLP. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about August 30, 2005.



*This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

**\$8,935,000**

**INDIANA BOND BANK  
SPECIAL PROGRAM BONDS, SERIES 2005 B  
(Town of Merrillville Redevelopment District)**

<b><u>Year</u></b>	<b><u>Principal Amount</u></b> \$	<b><u>Interest Rate</u></b>	<b><u>Price</u></b> %	<b><u>Year</u></b>	<b><u>Principal Amount</u></b> \$	<b><u>Interest Rate</u></b>	<b><u>Price</u></b> %
2/15/2007	490,000.00	3.750%	101.018%	2/15/2014	640,000.00	4.125%	102.040%
2/15/2008	510,000.00	3.750%	101.383%	2/15/2015	670,000.00	4.000%	100.625%
2/15/2009	530,000.00	3.750%	101.458%	2/15/2016	695,000.00	4.000%	99.238%
2/15/2010	550,000.00	3.750%	101.311%	2/15/2017	720,000.00	4.000%	98.194%
2/15/2011	575,000.00	4.000%	102.213%	2/15/2018	750,000.00	4.100%	98.368%
2/15/2012	595,000.00	4.000%	101.996%	2/15/2019	780,000.00	4.125%	98.123%
2/15/2013	620,000.00	4.000%	101.612%	2/15/2020	810,000.00	4.150%	97.868%

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE BOND BANK OR BY THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, AND THERE SHALL NOT BE ANY SALE OF ANY OF THE SECURITIES DESCRIBED HEREIN BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE BOND BANK OR ANY OTHER PERSON SUBSEQUENT TO THE DATE AS OF WHICH SUCH INFORMATION IS PRESENTED.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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## **OFFICIAL STATEMENT**

**\$8,935,000**

**Indiana Bond Bank**

**Special Program Bonds, Series 2005 B**

**(Town of Merrillville Redevelopment District)**

### **INTRODUCTION**

The purpose of this Official Statement, including the cover page, the inside cover page, the other preliminary pages and the appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the "Bond Bank") of its \$8,935,000 aggregate principal amount of Special Program Bonds, Series 2005 B (Town of Merrillville Redevelopment District) (the "Bonds"). The Bonds are authorized by a resolution adopted by the Board of Directors of the Bond Bank on August 16, 2005, and are issued under and secured by a Trust Indenture, dated as of August 1, 2005 (the "Indenture"), between the Bond Bank and U.S. Bank National Association as trustee, registrar and paying agent (the "Trustee"), all pursuant to the laws of the State of Indiana (the "State"), particularly Indiana Code, Title 5-1.5, as amended from time to time (the "Act").

### **Use of Proceeds of the Bonds**

The Bond Bank will purchase the Town of Merrillville Redevelopment District Special Taxing District Bonds, Series 2005A and Series 2005B (the "Qualified Obligations") issued by the Town of Merrillville Redevelopment District (the "Qualified Entity") pursuant to Resolution No. 05-03 adopted on June 14, 2005 ("Qualified Entity Resolution") by the Town of Merrillville Redevelopment Commission (the "Commission"), which is authorized under Indiana law to issue the Qualified Obligations to fund the cost of capital projects located within the Town of Merrillville Redevelopment District (the "District") and to refund outstanding indebtedness of the District. The proceeds from the sale of the Bonds will be used (i) to purchase the Qualified Obligations of the Qualified Entity, (ii) to pay the premium on the municipal bond insurance policy securing the payment of principal of and interest on the Bonds when due; and (iii) to pay all or a portion of the costs of issuance of the Bonds. On or before the issue date of the Bonds, the Bond Bank will have entered into a Qualified Entity Purchase Agreement ("Purchase Agreement") with the Qualified Entity governing the terms for the purchase of the Qualified Obligations of the Qualified Entity.

### **Security and Sources of Payment for the Bonds**

The Bonds will be issued under and secured by the Indenture. The Bonds are limited obligations of the Bond Bank payable solely out of and secured by the Trust Estate (as described below). Neither the faith, credit nor taxing power of the State or any political subdivision thereof, including the Qualified Entity, is pledged to the payment of the principal of or interest on the Bonds. The Bonds and the interest payable on them are not a debt, liability or loan of the credit of the State or any political subdivision thereof, including the Qualified Entity. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act.

The Bonds are issued and secured separately from all other obligations issued by the Bond Bank. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are secured by the pledge of the Trust Estate established under the Indenture (the "Trust Estate"), which includes (a) all right, title and interest of the Bond Bank in, to and under the Purchase Agreement and the Qualified Obligations; (b) all right, title and interest in any and all other property, real, personal or mixed, from time to time conveyed, mortgaged, pledged, assigned or transferred as additional security under the Indenture by the Bond Bank or by anyone on behalf of the Bond Bank; (c) the proceeds from the sale of the Bonds; and (d) all revenues held in the Funds and Accounts under the Indenture (except the Rebate Fund). All Bonds will be secured equally and ratably by all of the foregoing.

Payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "Bond Insurance Policy") to be issued, upon the delivery of the Bonds, by XL Capital Assurance (the "Bond Insurer"). See "BOND INSURANCE" and Appendix C.

The principal source of payment on the Bonds will be the principal and interest payments received by the Bond Bank from the Qualified Entity under the Qualified Obligations. The principal of and interest on the Qualified Obligations are payable from a special tax (an ad valorem property tax) to be levied upon all of the taxable property within the boundaries of the District. The boundaries of the District are coterminous with the boundaries of the Town of Merrillville. See Appendix A.

## **The Bond Bank**

The Bond Bank is a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power. The Bond Bank is governed by a Board of seven Directors, including the Treasurer of the State, who serves as Chairman Ex Officio, and the Public Finance Director of the Indiana Finance Authority, who serves as a Director Ex Officio and five additional Directors, each appointed by the Governor of the State.

## **The Act**

Pursuant to the Act, the purpose of the Bond Bank is to assist "qualified entities," defined in the Act to include political subdivisions, as defined in Indiana Code 36-1-2-13, leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, and any organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified entities. The Bond Bank provides such assistance through programs of, among other things, purchasing the bonds or evidences of indebtedness of such qualified entities. Under the Act, "qualified entities" include entities such as cities, towns, counties, other political subdivisions, school corporations, library corporations, special taxing districts, commissions, authorities and instrumentalities of the State and nonprofit corporations and associations which lease facilities or equipment to such entities.

## **The Official Statement; Additional Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The information contained under the caption "INTRODUCTION" is qualified by reference to this entire Official Statement, including the Appendices hereto. This introduction is only a brief description and a full review should be made of this entire Official Statement, including the appendices hereto, as well as the documents summarized or described in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument. Certain terms used in this Official Statement are defined in Appendix D. Capitalized terms not defined in this Official Statement shall have the respective definitions assigned to them in the Indenture.

Information contained in this Official Statement with respect to the Bond Bank and the Qualified Entity and copies of the Indenture, the Qualified Entity Resolution and the Purchase Agreement may be obtained from the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204. The Bond Bank's telephone number is (317) 233-0888.

It is the Bond Bank's current policy to provide its financial statements to the holders of its obligations, including the Bonds, upon written request. In addition, certain other information concerning the Bond Bank is available to the Trustee and holders of the Bonds pursuant to the Indenture. See "CONTINUING DISCLOSURE."

## **THE BONDS**

### **General Description**

The Bonds are issuable under the Indenture as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. Each Bond will carry an original issue date dated the date of delivery, and will bear interest from the most recent Interest Payment Date on which interest was paid prior to the date of authentication of such Bond, unless the Bond is authenticated after a Record Date but prior to the related Interest Payment Date. Bonds authenticated after a Record Date but prior to the related Interest Payment Date will bear interest from the related Interest Payment Date.

The Bonds will be issued in the aggregate principal amount of \$8,935,000, and will mature and bear interest as set forth on the inside cover page of this Official Statement.

For so long as the Bonds are registered in the name of The Depository Trust Company ("DTC") or its nominee, payments of the principal of, premium, if any, and interest on the Bonds will be paid only to DTC or its nominee. Interest on the Bonds will be paid on each Interest Payment Date by wire transfer to DTC or its nominee. Principal will be paid to DTC or its nominee upon presentation and surrender of the Bonds at the principal office of the Trustee. Neither the Bond Bank nor the Trustee will have any responsibility for the Beneficial Owner's receipt from DTC or its nominee, or from any DTC Direct Participant or Indirect Participant, of

any payments of principal or interest on the Bonds. See "THE BONDS – Book-Entry-Only System."

If the Bonds are no longer registered in the name of DTC or its nominee, or any other clearing agency, interest on the Bonds will be payable semiannually on February 1 and August 1 of each year, commencing on the first Interest Payment Date after the Bonds are no longer so registered by check issued by the Paying Agent dated the due date and mailed one Business Day prior to each Interest Payment Date to the registered Owners as of the close of business on the most recent Record Date or by wire transfer to Owners of \$1,000,000 or more in principal amount of the Bonds upon written request of such owners. Principal will be payable on the maturity date of such Bond upon presentation of the Bond at the principal corporate trust office of the Trustee.

### **Optional Redemption**

The Bonds maturing on, or after, February 15, 2017 are subject to optional redemption prior to maturity on and after February 15, 2016 at par.

### **Notice of Redemption**

Notice of any redemption, identifying the Bonds to be redeemed, will be given by the Trustee at least 30 days but not more than 45 days prior to the Redemption Date by mailing a copy of the redemption notice by registered or certified mail to the registered Owner of each Bond to be redeemed at the address shown on the Bond Register.

For so long as the Bonds are registered in the name of DTC or its nominee, the Trustee will send notices of redemption of Bonds only to DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank nor the Trustee will have any responsibility for any Beneficial Owner's receipt from DTC or its nominee, or from any DTC Direct Participant or Indirect Participant, of any notices of redemption. See "THE BONDS – Book-Entry-Only System."

### **Redemption Payments**

Prior to the date fixed for redemption, there must be on deposit with the Trustee sufficient funds to pay the redemption price of the Bonds subject to redemption, together with the accrued interest on the Bonds to the redemption date. After the redemption date, if sufficient funds have been deposited with the Trustee, interest will cease to accrue on the Bonds that have been called for redemption.

For so long as the Bonds are registered in the name of DTC or its nominee, redemption payments on the Bonds will be paid by the Trustee only to DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank nor the Trustee will have any responsibility for any Beneficial Owner's receipt from DTC or its nominee, or from any DTC Direct Participant or Indirect Participant, of any redemption payments on any Bonds. See "THE BONDS – Book-Entry-Only System."



## **Selection of Bonds for Redemption**

If fewer than all of the Bonds are to be redeemed, the Bonds will be redeemed only in whole multiples of \$5,000. For purposes of redemption, each \$5,000 of principal will be considered as a Bond. If fewer than all of the Bonds will be called for redemption, the principal amount and maturity of the particular Bonds to be redeemed will be selected by the Bond Bank. The Trustee will select the particular Bonds to be redeemed by lot within a maturity in such manner as the Trustee may determine.

For so long as the Bonds are registered in the name of DTC or its nominee, the Trustee will select for redemption only Bonds or portions thereof registered in the name of DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank nor the Trustee will have any responsibility for selecting for redemption any Beneficial Owner's interests in the Bonds. See "THE BONDS – Book-Entry-Only System."

## **Exchange and Transfer**

The Bonds may be transferred or exchanged at the principal corporate trust office of the Trustee, to the extent and upon the conditions set forth in the Indenture, including the payment of a sum sufficient to cover any tax or other governmental charge for any such transfer or exchange that may be imposed upon the Bond Bank or the Trustee.

If any Bond is mutilated, lost, stolen or destroyed, the Bond Bank may issue and the Trustee may authenticate a new Bond in accordance with the provisions therefore in the Indenture including an indemnity satisfactory to both, and the Bond Bank and the Trustee may charge the holder or Owner of such Bonds for its reasonable fees and expenses in connection therewith, including the cost of having a replacement Bond printed.

For so long as the Bonds are registered in the name of DTC or its nominee, the Trustee will transfer and exchange Bonds only on behalf of DTC or its nominee, in accordance with the preceding paragraph. Neither the Bond Bank, nor the Trustee will have any responsibility for transferring or exchanging any Beneficial Owner's interests in the Bonds. See "THE BONDS – Book-Entry-Only System."

## **Book-Entry-Only System**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds

and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Trustee, disbursements of such payments to Direct Participants will be the responsibility of DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Bond Bank or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond Certificates are required to be printed and delivered.

The Bond Bank may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond Certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bond Bank believes to be reliable, but the Bond Bank takes no responsibility for the accuracy thereof.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

The Bonds are limited obligations of the Bond Bank payable only out of the Trust Estate. The Indenture creates a continuing pledge of and lien upon the Trust Estate to secure the full and final payment of the principal of, and interest on, all of the Bonds. The Bonds and the interest on them do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof, including the Qualified Entity, under the constitution and laws of the State or a pledge of the faith, credit or taxing power of the State or any political subdivision thereof,

including the Qualified Entity. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act and the Indenture. The Bonds are issued and secured separately from any other obligations issued by the Bond Bank. The sources of payment and security for the Bonds are more fully described below.

Under the Indenture, the Bonds are secured by a pledge to the Trustee of the Trust Estate, which includes (a) all right, title and interest of the Bond Bank in, to and under the Qualified Obligations to be acquired by the Bond Bank under the Purchase Agreement; (b) all right, title and interest in any and all other property, real, personal or mixed, from time to time conveyed, mortgaged, pledged, assigned or transferred as additional security under the Indenture by the Bond Bank or by anyone on behalf of the Bond Bank; (c) the proceeds from the sale of the Bonds; and (d) all revenues held in the Funds and Accounts under the Indenture (except the Rebate Fund). The payments with respect to the Qualified Obligations have been structured, as of the date of issuance of the Bonds, to be sufficient along with earnings thereon, and other money in the Funds and Accounts under the Indenture and the earnings thereon, to pay the principal of and interest on the Bonds when due.

### **The Qualified Entity and the Qualified Obligations**

From the proceeds of the Bonds, the Bond Bank intends to purchase and, upon purchase, will pledge the Qualified Obligations to the Trustee. The Qualified Obligations were authorized by the Qualified Entity Resolution and are payable from a special tax (an ad valorem property tax) to be levied upon all of the taxable property within the boundaries of the District.

Certain information related to the Qualified Entity and the Qualified Obligations is set forth in Appendix A. On or before the date of the issuance of the Bonds, the Bond Bank will enter into the Purchase Agreement with the Qualified Entity to purchase the Qualified Obligations.

### **Valuation, Property Tax Rate and Tax Collections**

On December 4, 1998, the Indiana Supreme Court affirmed in part, and reversed in part, a ruling by the Indiana Tax Court that the true tax value method of valuing property for purposes of levying property taxes was unconstitutional. *Town of St. John v. State Board of Tax Commissioners*, 702 N.E.2d 1034 (Ind. 1998). The Indiana Supreme Court ruled that the reproduction cost schedules used by the State Board of Tax Commissioners (now known as the Department of Local Government Finance) (the "Department") are arbitrary and unconstitutional. This ruling affects only the valuation method and not the ability of political subdivisions to levy property taxes. The Department issued a new real property assessment regulation on July 1, 2001, which is being implemented beginning with the March 1, 2002 assessment date, affecting taxes payable beginning in 2003. The new regulation, which is briefly described in this section of the Official Statement, will shift the tax burden among various classes of property owners, but will not impact the total tax levy. This new regulation affects only the valuation method and not the ability of political subdivisions to levy an unlimited property tax to pay debt service. The Qualified Entity cannot predict the impact on property tax collections, or the possibility of any future judicial actions, legislation or rulings enacted as a result of this new regulation.

Real property and personal property in the State of Indiana is assessed each year as of March 1st. On or before August 1st each year, each county auditor must submit to each underlying taxing unit located within that county a statement containing (i) information concerning the assessed valuation in the taxing unit, for the next calendar year; (ii) an estimate of the taxes to be distributed to the unit during the last six months of the current calendar year; (iii) the current assessed valuation as shown on the abstract of charges; (iv) the average growth in assessed valuation in the taxing unit over the preceding three (3) budget years, excluding years in which a general reassessment occurs; and (v) any other information at the disposal of the county auditor that might affect the assessed value used in the budget adoption process.

The estimated assessed value is used when the governing body of a local taxing unit meets to establish its budget for the next fiscal year (January 1 through December 31), and to set tax rates and levies. By statute, the budget, tax rate and levy of a town (such as the Town of Merrillville) must be established no later than September 20. The budget, tax levy and tax rate are subject to review and revision by the Department, which can lower, but not raise the tax levy or tax rate (with the exception of increasing any debt service or lease rental levy as may be required). The Department must complete its actions on or before February 15.

On or before March 15, each county auditor prepares and delivers the final abstract of property taxes within that county. The county treasurer mails tax statements the following April (but mailing may be delayed due to reassessment or other factors). Property taxes are due and payable to the county treasurer in two installments on May 10th and November 10th. If an installment of taxes is not completely paid on or before the due date, a penalty of 10% of the amount delinquent is added to the amount due. On May 11th and November 11th of each year thereafter, an additional penalty equal to 10% of any taxes remaining unpaid is added. The penalties are imposed only on the principal amount of the delinquency. Property becomes subject to tax sale procedures on July 1 if a delinquency exists with respect to an installment due on or before May 10 of the prior year. Each county auditor distributes property taxes collected to the various taxing units on or before June 30 or December 31 after the due date of the tax payment.

Under State law, personal property is assessed at its actual historical cost less depreciation, whereas real property is valued for assessment purposes at its “true tax value” as defined in the 2002 Real Property Assessment Manual adopted by the Department (the “Manual”), and as interpreted in the rules and regulations of the Department, including the Real Property Assessment Guidelines for 2002-Version A, (the “Guidelines”), and the Real Property Assessment Manual Rule, 50 IAC 2.3. The Manual defines “true tax value” as the “market value in use of property for its current use, as reflected by the utility received by the owner or a similar user from that property.” The Manual permits assessing officials in each county to choose any acceptable mass appraisal method to determine true tax value, taking into consideration the ease of administration and the uniformity of the assessments produced by that method. The Guidelines were adopted to provide assessing officials with an acceptable appraisal methodology, although the Manual makes it clear that assessing officials are free to select from any number of appraisal methods, provided that they are capable of producing accurate and uniform values throughout the jurisdiction and across all classes of property. The Manual

specifies the standards for accuracy and validation that the DLGF will use to determine the acceptability of any alternate appraisal method.

There are certain credits, deductions and exemptions available for various classes of property. For instance, residential real property is eligible for certain deductions for mortgages, veterans, the aged and the blind. Commercial and industrial real property, new manufacturing equipment and research and development equipment may be entitled to economic revitalization area deductions. Business inventories may be eligible for enterprise zone credits. Government-owned properties and properties owned, used and occupied for charitable, educational or religious purposes may be entitled to exemptions from tax. The gross assessed value less all such deductions, credits, exemptions, and all other assessed valuation of tangible property excluded and kept separately on a tax duplicate by the county auditor (the "Net Assessed Value") is the value used for taxing purposes in the determination of tax rates.

A general reassessment of real property in the State of Indiana commenced in 2001 (the "Reassessment"). Property tax statements are normally mailed to taxpayers in March, but because of delays in the reassessment process following the reassessment date, the Lake County Treasurer has been unable to mail the tax statements on schedule. The final tax bills for collection year 2004 have been paid by Lake County property taxpayers. The final distributions to Lake County taxing units for the 2004 property tax collections were made August 12, 2005. It is not certain when property tax collection cycle will be completed for tax bills payable for 2005; however, it is expected that tax bills will be made and payments due from taxpayers, for at least the first installment due, by December 31, 2005. The extent and duration of such delays cannot be precisely predicted at this time.

Assessed values of real property occur periodically as a result of general reassessments scheduled by the State legislature, as well as when changes occur in the property due to new construction or demolition of improvements. The Reassessment was effective as of the March 1, 2002 assessment date, and affected taxes payable beginning in 2003. When a change in assessed value occurs, a written notification is sent to the affected property owner. If the owner wishes to appeal this action, the owner may file a petition requesting a review of the action. This petition must be filed with the county assessor in which the property is located within 45 days after the written notification was issued on May 10 of that year, whichever is later. While the appeal is pending, any taxes on real property, which become due on the property in question, must be paid in an amount based on the immediately preceding year's assessment, or it may be paid on the amount billed.

Indiana Code 6-1.1-21-5 provides that each year taxpayers will receive a credit for property tax replacement, known as the "property tax replacement credit" ("PTRC"). Beginning with the March 1, 2002 assessment date, affecting taxes payable beginning in 2003, Indiana Code 6-1.1-21-2(1)(1) provides that all property will receive a PTRC in the amount of sixty percent (60%) of the tax liability attributable to such property which is imposed by a school corporation for its general fund (the "School PTRC"). In addition, all property other than business personal property will receive a PTRC in the amount of approximately twenty percent (20%) of the tax liability attributable to such property which is imposed by the total county tax levy (the "General PTRC"). Under Indiana Code 6-1.1-22-9, property taxes are due and payable in two equal installments in May and November of each year. The School PTRC and the

General PTRC are applied to each installment of taxes. However, for purposes of determining the amount of the General PTRC, the tax liability of a taxpayer does not include the amount of any property tax owed by the taxpayer attributable to certain specified components of the tax levy. Among the tax levy components not receiving the General PTRC are the property taxes that will be used to pay for the principal and interest due on debt entered into after December 1983.

### **Enforcement of Qualified Obligations**

As the owner of the Qualified Obligations, the Bond Bank has available to it all remedies available to owners or holders of securities issued by the Qualified Entity. The Act provides that, upon the sale and delivery of any Qualified Obligations to the Bond Bank, the Qualified Entity is deemed to have agreed that all statutory defenses to nonpayment are waived if such Qualified Entity fails to pay principal of, or interest on, such Qualified Obligations when due.

The Bond Bank is obligated under the Indenture to avail itself of all remedies and provisions of law applicable in the circumstances, and the failure to exercise any right or remedy within a time or period provided by law may not, according to the Act, be raised as a defense by the Qualified Entity.

Further, the Qualified Entity has agreed under the Purchase Agreement to report to the Bond Bank on its compliance with certain covenants which the Qualified Entity has made regarding various actions and conditions necessary to preserve the tax exempt status of interest paid on the Qualified Obligations. See "TAX MATTERS." The Bond Bank has also determined to consult with the Qualified Entity, as necessary from time to time, with regard to the action needed to be taken by the Qualified Entity to preserve the exclusion of the interest on the Bonds from the gross income of the holders of the Bonds for federal income tax purposes.

The Bond Bank will monitor the compliance and consult regularly with the Qualified Entity with respect to its requirements under the Qualified Obligations, including the making of Qualified Obligation Payments to the Bond Bank.

### **Additional Bonds**

Under the Indenture, one or more series of Additional Bonds of the Bond Bank may be issued on a parity with the Bonds and all other bonds issued under the Indenture, upon meeting certain conditions, without limitations as to amount and at any time, for the purpose of paying (i) interest on the Bonds, (ii) costs of issuance, (iii) purchasing additional qualified obligations issued for the purpose of providing funds for completion or expansion of the Project and (iv) refunding outstanding Bonds. The proceeds of any Additional Bonds will be applied as provided in an indenture supplemental to or amendatory of the Indenture authorizing such Additional Bonds.

## **AGREEMENT WITH THE STATE**

Under the Act, the State has pledged to and agreed with the owners of the bonds or notes of the Bond Bank, including the Bonds, not to limit or restrict the rights vested in the Bond Bank by the Act to fulfill the terms of any agreements made with the owners of such bonds or notes or

in any way impair the rights or remedies of such owners until the bonds and notes, together with interest thereon, and interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners are fully met, paid and discharged.

## **DESCRIPTION OF THE INSURER**

The following information has been supplied by the Insurer for inclusion in this Official Statement. No representation is made by the Bond Bank, the District or the Underwriter as to the accuracy or completeness of the information.

The Insurer accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer and its affiliates set forth under this heading. In addition, the Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

### **General**

XL Capital Assurance Inc. (the “Insurer” or “XLCA”) is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. The Insurer is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore.

The Insurer is an indirect wholly owned subsidiary of XL Capital Ltd, a Cayman Islands corporation (“XL Capital Ltd”). Through its subsidiaries, XL Capital Ltd is a leading provider of insurance and reinsurance coverages and financial products to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. The common stock of XL Capital Ltd is publicly traded in the United States and listed on the New York Stock Exchange (NYSE: XL). **XL Capital Ltd is not obligated to pay the debts of or claims against the Insurer.**

The Insurer was formerly known as The London Assurance of America Inc. (“London”), which was incorporated on July 25, 1991 under the laws of the State of New York. On February 22, 2001, XL Reinsurance America Inc. (“XL Re”) acquired 100% of the stock of London. XL Re merged its former financial guaranty subsidiary, known as XL Capital Assurance Inc. (formed September 13, 1999) with and into London, with London as the surviving entity. London immediately changed its name to XL Capital Assurance Inc. All previous business of London was 100% reinsured to Royal Indemnity Company, the previous owner at the time of acquisition.



## **Reinsurance**

The Insurer has entered into a facultative quota share reinsurance agreement with XL Financial Assurance Ltd (“XLFA”), an insurance company organized under the laws of Bermuda, and an affiliate of the Insurer. Pursuant to this reinsurance agreement, the Insurer expects to cede up to 90% of its business to XLFA. The Insurer may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by the Insurer as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit the Insurer's obligations under any financial guaranty insurance policy. With respect to any transaction insured by XLCA, the percentage of risk ceded to XLFA may be less than 90% depending on certain factors including, without limitation, whether XLCA has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by XLCA, including the Policy.

Based on the audited financials of XLFA, as of December 31, 2004, XLFA had total assets, liabilities, redeemable preferred shares and shareholders' equity of \$1,173,450,000, \$558,655,000, \$39,000,000 and \$575,795,000, respectively, determined in accordance with generally accepted accounting principles in the United States (“US GAAP”). XLFA's insurance financial strength is rated “Aaa” by Moody's Investors Service (“Moody's”), by Standard & Poor's Ratings Service (“Standard & Poor's”) and Fitch Inc. (“Fitch”). In addition, XLFA has obtained a financial enhancement rating of “AAA” from S&P.

The obligations of XLFA to the Insurer under the reinsurance agreement described above are unconditionally guaranteed by XL Insurance (Bermuda) Ltd (“XLI”), a Bermuda company and one of the world's leading excess commercial insurers. XLI is a wholly owned indirect subsidiary of XL Capital Ltd. In addition to A.M. Best's rating of “A+” (Negative Outlook), XLI's insurance financial strength rating is “Aa2” (outlook negative) by Moody's, “AA-” by Standard & Poor's and “AA” (Ratings Watch Negative) by Fitch. The ratings of XLFA and XLI are not recommendations to buy, sell or hold securities, including the Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch.

Notwithstanding the capital support provided to the Insurer described in this section, the Bondholders will have direct recourse against the Insurer only, and neither XLFA nor XLI will be directly liable to the Bondholders.

## **Financial Strength and Financial Enhancement Ratings of XLCA**

The Insurer's insurance financial strength is rated “Aaa” by Moody's and “AAA” by Standard & Poor's and Fitch. In addition, XLCA has obtained a financial enhancement rating of “AAA” from Standard & Poor's. These ratings reflect Moody's, Standard & Poor's and Fitch's

current assessment of the Insurer's creditworthiness and claims-paying ability as well as the reinsurance arrangement with XLFA described under "Reinsurance" above.

The above ratings are not recommendations to buy, sell or hold securities, including the Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

### **Capitalization of the Insurer**

Based on the audited statutory financial statements for XLCA as of December 31, 2004 filed with the State of New York Insurance Department, XLCA has total admitted assets of \$341,937,000, total liabilities of \$143,494,000 and total capital and surplus of \$198,443,000 determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP").

Based on the audited financials of XLCA, as of December 31, 2004, XLCA had total assets, liabilities, and shareholder's equity of \$827,815,000, \$593,849,000, and \$233,966,000, respectively, determined in accordance with US GAAP.

### **Incorporation by Reference of Financials**

For further information concerning XLCA and XLFA, see the financial statements of XLCA and XLFA, and the notes thereto, incorporated by reference in this Official Statement. The financial statements of XLCA and XLFA are included as exhibits to the periodic reports filed with the Securities and Exchange Commission (the "SEC") by XL Capital Ltd and may be reviewed at the EDGAR website maintained by the SEC. All financial statements of XLCA and XLFA included in, or as exhibits to, documents filed by XL Capital Ltd pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or prior to the date of this Official Statement, or after the date of this Official Statement but prior to termination of the offering of the Bonds, shall be deemed incorporated by reference in this Official Statement. Except for the financial statements of XLCA and XLFA, no other information contained in XL Capital Ltd's reports filed with the SEC is incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by XLCA are available upon request to the State of New York Insurance Department.

## **Regulation of the Insurer**

The Insurer is regulated by the Superintendent of Insurance of the State of New York. In addition, the Insurer is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, the Insurer is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. The Insurer is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

**THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY THE INSURER, INCLUDING THE INSURANCE POLICY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.**

The principal executive offices of the Insurer are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.

## **RISK FACTORS**

Purchasers of the Bonds are advised of certain risk factors with respect to the delivery and payment of the Qualified Obligations by the Qualified Entity, and delivery and payment of the Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

## **Sources of Payment for the Bonds**

The ability of the Bond Bank to pay principal of, and interest on, the Bonds depends upon the receipt by the Bond Bank of payments pursuant to the Qualified Obligations, including interest at the rates provided therein, from the Qualified Entity which is obligated to make such payments to the Bond Bank, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments.

The principal sources of payment of the Qualified Obligations will be a special tax (an ad valorem property tax) to be levied upon all of the taxable property within the boundaries of the District. Except for the payments on the Qualified Obligations there is no source of funds available to make up for any deficiencies in the event of one or more defaults by the Qualified Entity in such payments on the Qualified Obligations. There can be no representation or assurance that the Qualified Entity will receive sufficient tax distributions or otherwise have sufficient funds available to make its required payments on the Qualified Obligations. For a description of procedures for providing for the payment of Qualified Obligations, see the captions "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — "The Qualified Entity and the Qualified Obligations," "Valuation, Property Tax Rate and Tax Collections" and "Enforcement of Qualified Obligations."

### **Tax Exemption**

The Bond Bank has covenanted under the Indenture to take all qualifying actions and not to fail to take any qualifying actions required to assure the continuing exclusion of interest on the Bonds from gross income for federal income tax purposes. Failure by the Bond Bank to comply with such covenants could cause the interest on the Bonds to be taxable retroactive to the date of issuance. Also, in connection with the purchase of the Qualified Obligations, the Bond Bank will receive an opinion of Baker & Daniels LLP, to the effect that, conditioned upon continuing compliance by the Qualified Entity with certain covenants made in connection with the issuance of the Qualified Obligations, the interest on the Qualified Obligations is excludable from the gross income of the holder thereof for federal income tax purposes under existing law. However, the interest on such Qualified Obligations could become taxable if the Qualified Entity fails to comply with certain of such covenants, including, without limitation, the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to the Qualified Obligations under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent such Qualified Obligations from being deemed to be "private activity bonds" under the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Bonds and any applicable regulations promulgated thereunder (the "Code"). Such an event could in turn adversely affect the exempt status of the interest on all of the Bonds retroactive to the date of issuance. See "TAX MATTERS" herein.

### **Limited Remedies**

**The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon the occurrence of an Event of Default under the Indenture or under the terms of any of the Qualified Obligations purchased by the Bond Bank and the Purchase Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided in the Indenture and under the Purchase Agreement and the Qualified Obligations may not be readily available or may be limited.**

## **ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds related to acquiring the Qualified Obligations and paying costs incidental to the sale and delivery of the Bonds are estimated as shown below:

### **Sources of Funds:**

Principal Amount of Bonds	\$8,935,000.00
Original Net Issue Premium	\$ <u>16,369.35</u>
<b>TOTAL SOURCES</b>	<u><b>\$8,951,369.35</b></u>

### **Uses of Funds:**

Acquisition of Qualified Obligations	\$8,718,105.97
Costs of Issuance(1)	\$ <u>233,263.38</u>
<b>TOTAL USES</b>	<u><b>\$8,951,369.35</b></u>

(1) Includes Underwriter's discount and the premium for the municipal bond insurance policy.

## **THE INDIANA BOND BANK**

The Bond Bank was created in 1984, and is organized and existing under and by virtue of the Act as a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power.

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and has outstanding as of August 1, 2005, an aggregate principal amount of approximately \$3,715,830,000 in separate program obligations not secured by the Indenture, approximately \$451,075,000, of which obligations are secured by debt service reserve funds eligible for annual appropriation by the State General Assembly. Additionally, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financing for qualified entities for purposes authorized by and in accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financing, if any, will be secured separately from the Bonds and will not constitute Bonds under the Indenture or for purposes of this Official Statement.

### **The Act**

Pursuant to the Act, the purpose of the Bond Bank is to assist "qualified entities", defined in the Act to include, in part, political subdivisions, as defined in Indiana Code 36-1-2-13, state educational institutions, as defined in Indiana Code 20-12-0.5-1(b), leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, and organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified entities. The Bond Bank provides such assistance through programs

of among other things, purchasing the bonds, notes or evidences of indebtedness of such qualified entities. Under the Act, qualified entities include entities such as cities, towns, counties, school corporations, library corporations, special taxing districts, state educational institutions, charter schools and nonprofit corporations and associations which lease facilities or equipment to such entities. The Town of Merrillville Redevelopment District is a “qualified entity” with the meaning of the Act.

### **Powers Under the Act**

Under the Act, the Bond Bank has a perpetual existence and is granted all powers necessary, convenient or appropriate to carry out its public and corporate purposes including, without limitation, the power to do the following:

1. Make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to (i) a loan to or a lease or an agreement with a qualified entity; (ii) a purchase, acquisition or a sale of qualified obligations or other investments; (iii) or the performance of its duties and execution of its powers under the Act;
2. Purchase, acquire or hold qualified obligations or other investments for the Bond Bank's own account or for a qualified entity at such prices and in a manner as the Bond Bank considers advisable, and sell or otherwise dispose of the qualified obligations or investments at prices without relation to cost and in a manner the Bond Bank considers advisable;
3. Fix and establish terms and provisions upon which a purchase or loan will be made by the Bond Bank;
4. Prescribe the form of application or procedure required of a qualified entity for a purchase or loan and enter into agreements with qualified entities with respect to each purchase or loan;
5. Render and charge for services to a qualified entity in connection with a public or private sale of any qualified obligation, including advisory and other services;
6. Charge a qualified entity for costs and services in review or consideration of a proposed purchase, regardless of whether a qualified obligation is purchased, and fix, revise from time to time, charge and collect other program expenses properly attributable to qualified entities;
7. To the extent permitted by the indenture or other agreements with the owners of bonds or notes of the Bond Bank, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of a bond, note, contract or agreement of any kind to which the Bond Bank is a party;

8. Appoint and employ general or special counsel, accountants, financial advisors or experts, and all such other or different officers, agents and employees as it requires;
9. In connection with any purchase, consider the need for and desirability or eligibility of the qualified obligation to be purchased, the ability of the qualified entity to secure financing from other sources, the costs of such financing and the particular public improvement or purpose to be financed or refinanced with the proceeds of the qualified obligation to be purchased by the Bond Bank;
10. Temporarily invest moneys available until used for making purchases, in accordance with the indenture or any other instrument authorizing the issuance of bonds or notes; and
11. Issue bonds or notes of the Bond Bank in accordance with the Act bearing fixed or variable rates of interest in aggregate principal amounts considered necessary by the Bond Bank to provide funds for any purposes under the Act; provided, that the total amount of bonds or notes of the Bond Bank outstanding at any one time may not exceed any aggregate limit imposed by the Act, currently fixed at \$1,000,000,000. Such aggregate limit of \$1,000,000,000 does not apply to (i) bonds or notes issued to fund or refund bonds or notes of the Bond Bank; (ii) bonds or notes issued for the purpose of purchasing an agreement executed by a qualified entity under Indiana Code 21-1-5; (iii) bonds, notes, or other obligations not secured by a reserve fund under Indiana Code 5-1.5-5; and (iv) bonds, notes, or other obligations if funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption; and (v) obligations of certain types of qualified entities that have separate limits.

Under the Act, the Bond Bank may not do any of the following:

1. Lend money other than to a qualified entity;
2. Purchase a security other than a qualified obligation to which a qualified entity is a party as issuer, borrower or lessee, or make investments other than as permitted by the Act;
3. Deal in securities within the meaning of or subject to any securities law, securities exchange law or securities dealers law of the United States, the State or any other state or jurisdiction, domestic or foreign, except as authorized by the Act;
4. Emit bills of credit or accept deposits of money for time or demand deposit, administer trusts or engage in any form or manner, or in the conduct of, any private or commercial banking business or act as a savings bank, savings and loan association or any other kind of financial institution; or
5. Engage in any form of private or commercial banking business.

## **Organization and Membership of the Bond Bank**

The membership of the Board of Directors of the Bond Bank ("Board") consists of seven Directors: the Treasurer of State, serving as Chairman Ex Officio, the Public Finance Director of the Indiana Finance Authority, appointed by the Governor and serving as Director Ex Officio, and five Directors appointed by the Governor of the State. Each of the five Directors appointed by the Governor must be a resident of the State and must have substantial expertise in the buying, selling and trading of municipal securities or in municipal administration or public facilities management. Each such Director will serve for a three-year term as set forth below. Upon expiration of such term, a Director will continue to serve until a successor is appointed and qualified. Each such Director is also eligible for reappointment and may be removed for cause by the Governor. Any vacancy on the Board is filled by appointment of the Governor for the unexpired term only.

The Directors elect one Director to serve as Vice Chairman. The Board appoints and fixes the duties and compensation of an Executive Director, who serves as both secretary and treasurer. The powers of the Bond Bank are vested in the Board, any four of whom constitute a quorum. Action may be taken at any meeting of the Board by the affirmative vote of at least four Directors. A vacancy on the Board does not impair the right of a quorum to exercise the powers and perform the duties of the Board.

### **Directors**

The following persons, including those persons with the particular types of experience required by the Act, comprise the present Board.

Tim Berry, Treasurer of the State of Indiana, February 10, 1999 to present and Chairman Ex Officio. Residence: Indianapolis, Indiana. Member, Indiana State Board of Finance; Vice-Chairman, Indiana Housing Finance Authority; Secretary-Investment Manager, Indiana Board for Depositories; Member, Governing Board of the Indiana Department of Revenue; Treasurer, Indiana State Office Building Commission; Treasurer, Indiana Recreational Development Commission; Trustee, Indiana State Police Pension Fund; Board Member, Indiana Transportation Finance Authority; Allen County, Indiana Treasurer 1990 to February, 1999.

Clark H. Byrum, Vice Chairman; term expired July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and President, The Key Corporation, Indianapolis, Indiana, 1977 to present; Chairman of the Board, American State Bank of Lawrenceburg, Aurora and Greendale, Indiana, 1990 to present; Board Member, NCB Corporation and Norcen Bank, 1986 to present; Member, American Bankers Association; Member, Indiana Bankers Association; Member, National Association of Life Underwriter.

C. Kurt Zorn, Director; term expired July 1, 2003. Residence: Bloomington, Indiana. Professor of Public and Environmental Affairs, Indiana University, 1994 to present; Chairman, State Board of Tax Commissioners, January 1991 to August 1994; Associate Professor, School of Public and Environmental Affairs, Indiana University, 1987 to 1994 (on leave 1989 to 1992); Member, American Economic Association; Member, National Tax Association; Member, Governmental Finance Officers Association.



Russell Breeden, III, Director; term expired July 1, 2003. Residence: Indianapolis, Indiana. Chairman of the Board and CEO, Community First Financial Group, Inc., 1993 to 2002. Director, English State Bank, 1993 to present; Chairman, Peoples Trust Bank Company, 1994 to present; Chairman, Peninsula Banking Group, 1995 to present; Chairman, Bay Cities National Bank, 1995 to present; Director and President, Bettenhausen Motorsports, Inc., 1988 to present.

Marni McKinney; Director, term expired July 1, 2004. Residence: Indianapolis, Indiana. Vice President, 1984 to 1999 and Chairman of the Board, 1999 to present, First Indiana Bank; President and CEO, The Somerset Group, 1995 to 2000; Vice Chairman and Chief Executive Officer, First Indiana Corporation, 1999 to present; Board of Directors, The Children's Museum and Community Hospitals of Indiana, Inc.; Investment Committee Member, The Indianapolis Foundation.

Morris H. Mills, Director, term expired July 1, 2003. Residence: Ladoga, Indiana. Partner, Mills Bros. Farms; Member, Indiana State Senate, 1972 to 2000; Member, Indiana State House of Representatives, 1968 to 1972; Director and Officer, Maplehurst Group, 1954 to 1996.

Ryan Kitchell, Public Finance Director, Indiana Finance Authority, January 10, 2005 to present. Residence: Zionsville, Indiana. Chairman, Board for Public Depositories; Board Member, Indiana Deferred Compensation Committee; Board Member; Indiana Housing Finance Authority; Board Member, Indiana Health and Educational Facilities Financing Authority; Senior Financial Analyst, Eli Lilly & Company, 2002-2005; Research Associate, Indiana Fiscal Policy Institute, 1999-2000; Investment and Senior Analyst, Prudential Capital Group, 1996-1999.

Although the expiration date of the terms of five Directors has passed, the Act provides that their terms will not expire until their successors are appointed and qualified. No such successors have been appointed and qualified.

The Board is authorized to appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer of the Board. Dan Huge was appointed Executive Director of the Indiana Bond Bank on October 9, 2001. Mr. Huge previously served as the Deputy Director of The Indianapolis Local Public Improvement Bond Bank for over three years. Mr. Huge has over 14 years of corporate accounting and managerial experience. He is a Certified Public Accountant and holds a B.S. from Purdue University.

## **OPERATION OF FUNDS AND ACCOUNTS**

The Indenture creates and establishes a General Fund which will be held by the Trustee and will consist of the following accounts:

- General Account
- Redemption Account
- Bond Issuance Expense Account
- Purchase Account

This Indenture also establishes a Debt Service Reserve Fund and a Rebate Fund.

## **Purchase Account**

The Trustee will deposit \$8,718,369.35 from Bond proceeds in the Purchase Account of the General Fund, to purchase the Qualified Obligations.

## **General Account**

The Trustee will deposit in the General Account all payments on the Qualified Obligations and all income or gain on Investment Securities attributable to any fund or account.

Moneys in the General Account of the General Fund will be disbursed as follows: (i) not later than 10:00 a.m., Indianapolis time, one (1) Business Day prior to each Interest Payment Date, to the Trustee such amounts as may be necessary to pay interest due to be paid on Outstanding Bonds on such Interest Payment Date; and (ii) not later than 10:00 a.m., Indianapolis time, one (1) Business Day prior to each Interest Payment Date, to the Trustee such amounts as may be necessary, if any, to pay principal due to be paid on Outstanding Bonds on such Interest Payment Date.

## **Redemption Account**

There will be deposited in the Redemption Account all moneys received upon the sale or optional or mandatory redemption (prior to maturity) of Qualified Obligations and all other moneys required to be deposited therein pursuant to the Indenture. Moneys in the Redemption Account will be distributed as follows: (i) on the fifteenth day of each month, to the General Account, an amount equal to the principal which would have been payable during the following month if such Qualified Obligations had not been sold or redeemed prior to maturity, (ii) on the second Business Day prior to any Interest Payment Date, if amounts in the General Account are not sufficient to make the payments of principal and interest required to be made on such date, to the General Account amounts in the Redemption Account available for such transfer and not otherwise committed under the Indenture to the redemption of Bonds for which notice of redemption has been given; and (iii) after provision has been made for the payments required under (i) and (ii) above to (a) redeem Bonds of such maturity or maturities as may be directed by an Authorized Officer if such Bonds are then subject to redemption or (b) purchase Bonds of such maturity or maturities as directed by an Authorized Officer at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds will then be subject to redemption. Such price may not, however, exceed the redemption price which would be payable on the next ensuing redemption date on which the Bonds so purchased are redeemable according to their terms. The Trustee will pay the interest accrued on any Bonds so purchased to the date of delivery thereof from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase will be made by the Trustee within the period of forty-five (45) days next preceding an Interest Payment Date or a date on which such Bonds are subject to redemption.

At the direction of the Bond Bank, the Trustee may transfer any amounts in the Redemption Account to the General Account of the General Fund provided that the Trustee is provided with a Cash Flow Certificate taking into account such transfer.

## **Bond Issuance Expense Account**

The Trustee will deposit \$144,000 of the proceeds of the Bonds in the Bond Issuance Expense Account for the purpose of paying the costs associated with issuing the Bonds. Moneys in the Bond Issuance Expense Account will be disbursed to pay Costs of Issuance of the Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs, upon the Trustee's receipt of acceptable invoices or requisitions. All funds in the Bond Issuance Expense Account which are not expended for Costs of Issuance prior to January 1, 2006 will be transferred to the General Account of the General Fund.

## **Rebate Fund**

The Rebate Fund will be established to comply with the provisions of Section 148 of the Code concerning the rebate of certain arbitrage earnings to the United States of America. Deposits into the Rebate Fund and disbursements from the Rebate Fund will be made as provided by the Indenture and as required by federal tax law applicable to the Bonds. The Rebate Fund is not subject to the lien of the Indenture and does not constitute a Fund or Account for purposes of the Indenture.

So long as any of the Bonds are Outstanding and the Bond Bank is subject to a rebate obligation under the Code, the Bond Bank covenants to establish and maintain the Rebate Fund and to comply with the instructions relating to its ongoing rebate responsibilities delivered on the date of initial delivery of the Bonds. Such instructions will set forth procedures which may be amended from time to time.

## **Amounts Remaining in Funds**

Any amounts remaining in any Fund or Account after full payment of all of the Bonds outstanding under the Indenture and the fees, charges and expenses of the Trustee will be distributed to the Qualified Entity, unless otherwise provided for in the Indenture.

## **Investment of Funds**

Moneys held as a part of any Fund or Account under the Indenture will be invested and reinvested at all times as fully as reasonably possible by the Trustee in investments defined to be Investment Securities under the Indenture and in accordance with the provisions of the Act and the terms and conditions of the Indenture.

The Bond Bank will direct the Trustee (with such direction to be confirmed in writing) in the investment of such moneys. The Bond Bank will so direct the Trustee, and the Bond Bank and the Trustee will make all such investments of moneys under the Indenture, in accordance with prudent investment standards reasonably expected to produce the greatest investment yields while seeking to preserve principal. The Bond Bank may direct the Trustee to invest all moneys held in the General Account relating to the Bonds pursuant to the provisions of an investment agreement (the "Investment Agreement").

All investments will be a part of the Fund or Account from which moneys were used to acquire such investments and all income and profits on such investments will be deposited as

received in the General Account. Any investment income, gains or losses will be charged to the Fund or Account from which moneys were employed to invest in the Investment Security, and the Trustee will not be liable for any investment losses so long as the Trustee complies with the provisions of the Indenture. Moneys in any Fund or Account will be invested in Investment Securities with maturity dates (or redemption dates determinable at the option of the owner of such Investment Securities) coinciding as nearly as practicable with the times at which moneys in such Funds or Accounts will be required for transfer or disbursement under the Indenture. The Trustee will sell and reduce to cash at the best price reasonably obtainable sufficient amounts of such Investment Securities in the respective Fund or Account as may be necessary to make up a deficiency in any amounts contemplated to be disbursed from such Fund or Account.

## **THE BONDS AS LEGAL INVESTMENTS**

Under the Act, all financial institutions, investment companies, insurance companies, insurance associations, executors, administrators, guardians, trustees and other fiduciaries in the State may legally invest sinking funds, money or other funds belonging to or within the control of such fiduciaries in the bonds and notes issued under the Act, including the Bonds.

## **LITIGATION**

### **Bond Bank**

There is not now pending or, to the Bond Bank's knowledge, threatened any litigation (1) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, (2) prohibiting the Bond Bank from purchasing the Qualified Obligations with the proceeds of such Bonds, (3) in any way contesting or affecting the validity of the Bonds or (4) restraining or enjoining any proceedings of the Bond Bank taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present Directors or other officers of the Bond Bank to their respective offices is being contested.

### **Qualified Entity**

Upon the issuance of the Qualified Obligations, the Bond Bank will receive a certification from the Qualified Entity to the effect that (i) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, pending or threatened against the Qualified Entity, wherein an unfavorable decision, ruling or finding would in any material respect adversely affect the transactions contemplated by the Purchase Agreement and (ii) the information provided to the Bond Bank by the Qualified Entity did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

## **TAX MATTERS**

In the opinion of Bingham McHale LLP, Indianapolis, Indiana, Bond Counsel, under law existing and in effect on the date of such opinion, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. The opinion of Bingham McHale is based on certain certifications, covenants and representations of the Bond Bank and

the Qualified Entity issuing the Qualified Obligations and is conditioned on continuing compliance therewith. In the opinion of Bingham McHale LLP, Indianapolis, Indiana, Bond Counsel, under law existing and in effect on the date of such opinion, interest on the Bonds is exempt from taxation in the State of Indiana for all purposes except the State inheritance tax and the State financial institutions tax. See Appendix C, "FORM OF BOND COUNSEL OPINION."

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Bonds to be includable in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. Should the Bonds bear interest that is not excluded from gross income for federal income tax purposes, the market value of the Bonds would be materially and adversely affected. The Tax Covenants include covenants that (i) the Bond Bank and Qualified Entity will not take or fail to take any action with respect to the Bonds, if such action or omission would result in the loss of the exclusion from gross income for federal tax purposes of interest on the Bonds under Section 103 of the Code, and the Bond Bank and the Qualified Entity will not act in any other manner which would adversely affect such exclusion; (ii) the Bond Bank and Qualified Entity will not make any investment or do any other act or thing during the period that the Bonds are outstanding which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code; and (iii) if required by the Code, the Bond Bank will rebate any necessary amounts to the United States of America. It is not an event of default under the Indenture if interest on the Bonds or the Qualified Obligations, respectively, is not excluded from gross income for federal tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Bonds.

The Bonds are not "private activity bonds" for the purpose of treatment of interest thereon as a specific preference item in calculating the federal individual or corporate alternative minimum taxes. However, interest on the Bonds is includable in "adjusted current earnings" in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Although Bond Counsel will render an opinion that interest on the Bonds is excludable from gross income for federal tax purposes and exempt from certain State income tax, the accrual or receipt of interest on the Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Except as expressly set forth above, Bond Counsel expresses no opinion regarding any other such tax consequences.

No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that the interest on the Bonds becomes subject to income taxation.

The foregoing does not purport to be a comprehensive discussion of all of the tax consequences of owning the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Bonds.

## **ORIGINAL ISSUE DISCOUNT**

The initial public offering prices of the Bonds maturing on February 15 in the years 2016 through 2020 (collectively, the "Discount Bonds"), are less than the principal amounts payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering prices of the Discount Bonds, as set forth on the inside cover of this Official Statement (assuming each is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amounts payable at maturity of the Discount Bonds will be treated as "original issue discount." A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and who holds such Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or longer period from the date of the original issue) ending on February 15 and August 15 (with straight line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

As described above under "TAX MATTERS," the original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

### **AMORTIZABLE BOND PREMIUM**

The initial offering prices of the Bonds maturing on February 15th in the years 2007 through 2015 (the "Premium Bonds") are greater than the principal amount payable at maturity or call date. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity or call). The amount of amortizable Bond Premium will be computed on the basis of the owner's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning treatment of Bond Premium.

### **LEGAL MATTERS**

Certain legal matters incident to the authorization and issuance of the Bonds by the Bond Bank are subject to the approval of Bingham McHale LLP, Indianapolis, Indiana, Bond Counsel, whose approving opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the Bond Bank by its counsel, Barnes & Thornburg LLP, Indianapolis, Indiana. Certain legal matters will be passed upon the Qualified Entity by its bond counsel, Baker & Daniels LLP, Indianapolis, Indiana. Certain legal matters will be passed upon for the Underwriter by its counsel, Sommer Barnard Ackerson, Indianapolis, Indiana.

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon an Event of Default under the Indenture, under the terms of the Qualified Obligations purchased by the Bond Bank, under the terms of the Purchase Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the

United States Code (the United States Bankruptcy Code), the remedies provided in the Indenture and under the Qualified Obligations or the Purchase Agreement may not be readily available or may be limited. Under Federal and State environmental laws, certain liens may be imposed on property of the Bond Bank or the Qualified Entity from time to time, but the Bond Bank has no reason to believe, under existing law, that any such lien would have priority over the lien on the payments on the Qualified Obligations pledged to owners of the Bonds under the Indenture or over the lien on the Qualified Entity Revenues and the moneys on deposit in the Reserve Account pledged to the Bond Bank, as owner of the Qualified Obligations. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally (regardless of whether such enforceability is considered in a proceeding in equity or in law), by general principles of equity (regardless of whether such proceeding is considered in a proceeding in equity or at law) and by the valid exercise of the constitutional powers of the Qualified Entity, the State and the United States of America. These exceptions would encompass any exercise of any of the Qualified Entity's police powers in a manner consistent with the public health and welfare. Enforceability of the Indenture, the Qualified Obligations or the Purchase Agreement in situations where such enforcement may adversely affect public health and welfare may be subject to the police powers of the State or the Qualified Entity.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **RATING**

Standard & Poor's Ratings Services ("S&P") has assigned a rating of "A-" to the Bonds if they are issued without bond insurance and a rating of "AAA" if they are issued with bond insurance. This rating reflects only the view of S&P. Such rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The underwriters have undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to opposed any such proposal revision or withdrawal. Any such downward revision or withdrawal of the rating may have an adverse effect upon the market price or marketability of the Bonds.

## **UNDERWRITING**

Under a bond purchase contract entered into between the Underwriter listed on the cover page of this Official Statement and the Bond Bank, the Underwriters have agreed to purchase the Bonds at an aggregate purchase price of \$8,862,105.97, which represents the par amount of \$8,935,000, less the premium for the Bond Insurance Policy, in the amount of \$36,100.13, plus the original issue premium of \$16,369.35 and minus Underwriter's discount of \$53,163.25,



pursuant to a purchase contract entered into by and between the Bond Bank and the Underwriters. Such purchase contract provides that the Underwriters will purchase all of the Bonds if any are purchased.

The Underwriters have agreed to make a bona fide public offering of all of the Bonds at prices not in excess of the initial public offering prices set forth or reflected inside the cover page of this Official Statement. The Underwriters may sell the Bonds to certain dealers (including dealers depositing Series 2005 B Bonds into investment trusts) and others at prices lower than the offering prices set forth inside the cover page hereof.

## **VERIFICATION OF MATHEMATICAL CALCULATIONS**

The accuracy of certain mathematical computations showing that payments on the Qualified Obligations, together with other available revenues, have been structured to be sufficient to pay principal of and interest on the Bonds when due will be verified by London Witte Group, LLC, independent certified public accountants. Such verifications shall be based upon certain information and assumptions supplied by the Bond Bank and the Underwriters.

## **CONTINUING DISCLOSURE**

### **Bond Bank Undertaking**

Pursuant to disclosure requirements set forth in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), and the terms of the Continuing Disclosure Agreement (the "Bond Bank Undertaking") of the Bond Bank, the Bond Bank will agree to provide to each NRMSIR or to the Municipal Securities Rulemaking Board (the "MSRB"), and to the State Depository, if any, the following event notices, if material, and in a timely manner:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the security;
- modifications to rights of security holders;
- Bond calls (other than scheduled mandatory redemptions not otherwise contingent upon the occurrence of an event, the terms of which redemption are set forth in detail, in the Final Official Statement);
- defeasances;
- release, substitution or sale of property securing repayment of the securities; and
- rating changes.

Notwithstanding the foregoing, any information required to be provided by the Bond Bank to each NRMSIR and the State Directory as described above may, instead, be provided by the Bond Bank to DisclosureUSA, but only for so long as the conditions for the interpretation made by the SEC in the Response continue to be met. "DisclosureUSA" means the Internet-

based electronic filing system created by the Municipal Advisory Council of Texas for the purpose of facilitating compliance by issuers and obligated persons (both as defined in the Rule) with continuing disclosure agreements entered into to satisfy the obligations of underwriters (as defined in the Rule). "Response" means the interpretive letter, dated September 7, 2005, released by the Division of Market Regulation of the SEC regarding DisclosureUSA.

### **Qualified Entity Undertaking**

In accordance with the disclosure requirements in the Rule and the terms of the Continuing Disclosure Agreement of the Qualified Entity (the "Qualified Entity Undertaking"), the Qualified Entity, while the Bonds are outstanding, has agreed to provide to the Bond Bank the preceding event notices with regard to the Qualified Obligations, if material, and in a timely manner, and has agreed to provide the following information while any Qualified Obligations are outstanding:

1. Financial Information. An update of the financial information and operating data relating to the Qualified Entity and the Town of Merrillville (the "Town") of the same nature as that contained in Appendix A to each NRMSIR, to the State Depository, if any, and to the Bond Bank, within 180 days after each December 31, commencing with the calendar year ending December 31, 2005.
2. Audited Financial Statements. To each NRMSIR, to the State Depository, if any, and to the Bond Bank, when and if available, the audited financial statements of the Town as prepared and examined by the State Board of Accounts for each twelve (12) month period ending December 31, commencing with the year ending December 31, 2005, together with all notes thereto, within sixty (60) days of receipt of such statements from the State Board of Accounts.

(The information described in items 1 and 2 above is referred to as the "Qualified Entity Annual Information.")

Notwithstanding the foregoing, any information required to be provided by the Qualified Entity to each NRMSIR and the State Depository as described above may, instead, be provided by the Qualified Entity to DisclosureUSA, but only for so long as the conditions for the interpretation made by the SEC in the Response continue to be met.

### **Failure to Disclose**

In a timely manner, the Qualified Entity shall notify each NRMSIR or the MSRB, and the State Depository, if any, of any failure on the part of the Qualified Entity to provide the Qualified Entity Annual Information on or before the dates specified in the Qualified Entity Undertaking. If any information relating to the Qualified Entity can no longer be provided because the operations to which it relates have been materially changed or discontinued, a statement to that effect, provided by the Qualified Entity to each NRMSIR and to the State Depository, if any, along with the Qualified Entity Annual Information required as specified above, will satisfy the Qualified Entity's undertaking to provide the Qualified Entity Annual Information.

## **Remedies**

The Bond Bank Undertaking and the Qualified Entity Undertaking (collectively "Undertakings") are solely for the benefit of the holders and beneficial owners of the Bonds and create no new contractual or other rights for the SEC, any underwriters, brokers, dealers, municipal securities dealers, potential customers, or other obligated persons or any other third party. The sole remedy against the Bond Bank or the Qualified Entity for any failure to carry out any provision of their respective Undertakings shall be for specific performance of the Bond Bank's or the Qualified Entity's disclosure obligations under their respective Undertakings. Failure on the part of the Bond Bank to honor its covenants under the Bond Bank Undertaking shall not constitute a breach or default of the Bonds, the Indenture or any other agreement to which the Bond Bank is a party. Failure on the part of the Qualified Entity to honor its covenants under the Qualified Entity Undertaking shall not constitute a breach or default of the Qualified Obligations, the Qualified Entity Resolution or any other agreement to which the Qualified Entity is a party. This remedy may be exercised by any holder or beneficial owner of the Bonds who may seek specific performance by court order to cause the Bond Bank or the Qualified Entity to comply with their respective disclosure obligations under the Undertakings.

### **Modification of Bond Bank Undertaking**

The Bond Bank may, from time to time, amend any provision of the Bond Bank Undertaking without the consent of the holders or the beneficial owners of the Bonds if either: (a) (i) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Bond Bank or type of business conducted, (ii) the Bond Bank Undertaking, as so amended would have complied with the requirements of the Rule on the date of the Bond Bank Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment does not materially impair the interest of the holders or beneficial owners of the Bonds, as determined either by (A) any person selected by the Bond Bank that is unaffiliated with the Bond Bank or the Qualified Entity (including the Trustee) or (B) an approving vote of the holders of the requisite percentage of outstanding Bonds as required under the Indenture at the time of such amendment; or (b) such amendment is otherwise permitted by the Rule.

Copies of the Bond Bank Undertaking are available from the Bond Bank upon request.

### **Modification of Qualified Entity Undertaking**

The Qualified Entity may, from time to time, amend any provision of the Qualified Entity Undertaking without the consent of the holders or the beneficial owners of the Bonds if either: (a) (i) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Qualified Entity, or type of business conducted, (ii) the Qualified Entity Undertaking, as so amended, would have complied with the requirements of the Rule on the date of the Qualified Entity Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment does not materially impair the interest of the holders or beneficial owners of the Bonds, as determined either by (A) any person

selected by the Qualified Entity that is unaffiliated with the Qualified Entity or the Bond Bank (such as the Trustee or nationally recognized bond counsel) or (B) an approving vote of the holders of the requisite percentage of outstanding Bonds as required under the Indenture at the time of such amendment; or (b) such amendment is otherwise permitted by the Rule.

Copies of the Qualified Entity Undertaking are available from the Bond Bank upon request.

### **Compliance with Previous Undertakings**

In the previous five years, the Bond Bank and the Qualified Entity have never failed to comply, in all material respects, with any previous undertakings in a written contract or agreement that any of them entered into pursuant to subsection (b)(5) of the Rule.

### **MISCELLANEOUS**

The Bond Bank's offices are located at 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204, telephone (317) 233-0888.

All quotations from, references, summaries and explanations of, the Act, the Indenture, the Qualified Entity Resolution and the Purchase Agreement contained in this Official Statement do not purport to be complete and reference is made to each such document or instrument for full and complete statements of its provisions. The attached Appendices are an integral part of this Official Statement and must be read together with all of the foregoing statements. Copies in a reasonable quantity of the Act, the Indenture, the Purchase Agreement, the Qualified Entity Resolution and the supplemental materials furnished to the Bond Bank by the Qualified Entity may be obtained upon request directed to the Bond Bank.

It is the Bond Bank's current policy to provide its financial statements to the holders of its obligations, including the Bonds, upon written request. In addition, certain other information concerning the Bond Bank is available to the Trustee and holders of the Bonds pursuant to the Indenture.

Neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinions or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is submitted in connection with the issuance and sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement among the Bond Bank, the Qualified Entity, the Trustee or the Underwriters and the purchasers or owners of any Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank.

This Official Statement has been duly approved, executed and delivered by the Bond Bank.

INDIANA BOND BANK

By: \_\_\_\_\_  
Chairman Ex Officio

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# **APPENDIX A**

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# **APPENDIX A**

## **GENERAL AND ECONOMIC INFORMATION**

### **THE TOWN OF MERRILLVILLE REDEVELOPMENT DISTRICT**

#### **Location**

The Town of Merrillville is located in Lake County, in the northwest corner of Indiana, approximately 33 miles southeast of Chicago, Illinois; and 155 miles northwest of Indianapolis, Indiana; and 65 miles west of South Bend, Indiana. Merrillville occupies 36 square miles.

The Town of Merrillville is amply served by a broad network of land, water and air transportation systems. Running through or near the Town are Interstates 65, 90 (Toll Road), 80 and 94; U.S. Highway 30; and State Highways 53 and 55.

Norfolk & Southern, Conrail, Baltimore & Ohio, Chesapeake & Ohio, Louisville & Nashville, Chicago South Shore, and Soo Line are some of the major Midwest rail lines that serve the Merrillville area.

Air transportation service is available within one and a half-hour driving time at Chicago's O'Hare International Airport and within one hour driving time at Chicago Midway. Charter, corporate and commuter aircraft facilities are available at the Gary Regional Airport.

Gas and electric service are provided by NiSource. Telephone service is provided by SBC. Water service is provided by Northwest Indiana Water Company. The Merrillville Conservancy District, Independence Hill Conservancy District and the Gary Regional Sewer District provides sewer service to parts of the Town.

The Town of Merrillville Redevelopment District ("the District") is a special taxing district which has boundaries which are coterminous with the Town.

#### **Town Organization and Administration**

The Town of Merrillville is organized as an incorporated Town and is governed by a Town Council consisting of seven (7) members. Each member is elected by geographic ward and serves a term of four (4) years. The only other elected officials for the Town are the Clerk-Treasurer and Judge who are elected at-large and serve four-year terms. Additionally, the Town has appointed a Town Manager to serve as the chief administrator of the Town. The Town Manager serves at the pleasure of the Town Council.

The District is governed by a five (5) member commission known as the Town of Merrillville Redevelopment Commission (the "Commission"). The members of the Commission are appointed by the Town Council.

**Schools.** Public education is provided by Merrillville Community Schools. The School has a combined enrollment of 6,763 students for the 2004/2005 term. It maintains 5 elementary buildings, 2 middle school buildings, and one high school.

Opportunities for higher education are provided by Purdue University and Calumet College. The local campus of Purdue University offers both undergraduate and graduate programs. Calumet College offers undergraduate programs only. Indiana University Northwest, Valparaiso University, Loyola University, DePaul University, University of Chicago, Illinois Institute of Technology, Roosevelt University and the University of Illinois Circle campus are all within a short driving distance of the Town.

## FINANCIAL AND DEBT INFORMATION

### Property Tax Rates

	<u>2004</u>	<u>2003**</u>	<u>2002*</u>	<u>2001</u>	<u>2000</u>
State	\$0.0024	\$ 0.0033	\$0.0033	\$0.0100	\$0.0100
County	1.1279	1.1779	1.8996	5.1071	5.2320
Township	0.0440	0.0456	0.0785	0.2521	0.4565
Library	0.1069	0.0901	0.1776	0.5338	0.5338
School	1.4959	1.4924	2.4998	7.1668	7.1761
Solid Waste Management	0.0251	0.0250	0.0451	0.0000	0.0000
Tax Increment Replacement	<u>0.0000</u>	<u>0.0073</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
Town of Merrillville					
General	\$0.3424	\$0.3398	\$0.5887	\$1.8140	\$1.7609
Debt Service	0.0250	0.0251	0.0998	0.1371	0.1375
Emergency Ambulance	0.0063	0.0000	0.0111	0.0763	0.0707
Park and Recreation	0.0095	0.0115	0.0111	0.0673	0.0607
Cumulative Capital Development	0.0197	0.0197	0.0355	0.1065	0.1065
Redevelopment District - Bond	0.0272	0.0321	0.0552	0.1352	0.1835
Police Pension	<u>0.0136</u>	<u>0.0056</u>	<u>0.0184</u>	<u>0.0089</u>	<u>0.0000</u>
Total Town of Merrillville	<u>0.4437</u>	<u>0.4338</u>	<u>0.8198</u>	<u>2.3453</u>	<u>2.3198</u>
Total Rate	<u>\$3.2459</u>	<u>\$3.2754</u>	<u>\$5.5237</u>	<u>\$15.4151</u>	<u>\$15.7282</u>

\* Effective with the 2001 pay 2002 property tax collection cycle, the definition of assessed value was modified from "one-third of True Tax Value" to "equals True Tax Value." Accordingly, property tax rates were reduced by approximately one-third to reflect this change in the measurement of the assessed valuation.

\*\* Reflects the results of the general reassessment of all taxable property (real and personal) as of March 1, 2002 for the 2002 pay 2003 property tax collection cycle.

Note: Tax Rates for 2004 pay 2005 have not yet been certified by the Lake County Auditor or the Department of Local Government Finance, due to the delays in the last general reassessment.

Source: Lake County Auditor's Office

## **Record of Taxes Levied and Collected**

Collection <u>Year</u>	<u>Levied</u>	<u>Collected</u>	Percentage <u>Collected</u>
2003	\$7,024,429	\$7,148,342	101.76%
2002	7,195,287	7,015,473	97.50%
2001	6,269,756	6,263,530	99.90%
2000	6,141,647	6,232,410	101.48%
1999	5,754,928	5,800,752	100.80%

Note: Due to the delays associated with the latest general reassessment of taxable property (as of March 1, 2003) for the 2003 pay 2004 collection cycle, Lake County was unable to have its tax rates and net assessed values certified during calendar year 2004.

Accordingly, information regarding 2004 collections were not currently available from the Lake County Auditor's Office.

Source: Lake County Auditor's Office

## **Assessed Valuation**

Collection <u>Year</u>	Assessed <u>Valuation</u>
2004	\$1,679,506,008
2003**	\$1,619,278,198
2002*	877,688,194
2001	267,332,795
2000	264,748,963
1999	261,736,763

\* Effective with the 2001 pay 2002 property tax collection cycle, the definition of assessed value was modified from "one-third of True Tax Value" to "equals True Tax Value."

\*\*Reflects the results of the general reassessment of all taxable property as of March 1, 2002 for the 2002 pay 2003 property tax collection cycle.

Note: Tax Rates for 2004 pay 2005 have not yet been certified by the Lake County Auditor or the Department of Local Government Finance due to the delays in the general reassessment.

Source: Lake County Auditor's Office

## **Largest Taxpayers**

<u>Taxpayers</u>	<u>Type of Business</u>	2002/2003	
		<u>Assessed Valuation</u>	
Whiteco Industries	Lodging	\$	41,619,580
NIPSCO	Utility		41,387,920
Northwestern Mutual Life Insurance	Insurance Co.		36,206,600
Meijer Stores	Retail/Grocery		27,600,700
65 & 130 Venture	Entertainment		16,565,800
Brg. Hickory Ridge	Apartment		14,216,900
Lowes Home Center	Home Improvement Retail		13,886,980
Broadmoore Association	Apartment		13,701,700

Source: Lake County Assessor's Office Data Department

## **Direct Debt Issuance Limitation**

The Town of Merrillville Redevelopment District is limited to the issuance of direct debt based upon the assessed valuation of property within the District. The following schedule details the District's debt capacity after the date of issuance of the District's \$8,935,000 Special Taxing District Bonds, Series 2005, and the use of a portion of the proceeds therefrom to defease the District's General Obligation Bonds of 1998 and the District's General Obligation Bonds of 2001.

Total Assessed Valuation - 2003/2004	\$1,679,506,008
Statutory Limitation (1)	11,196,707
Current Debt Subject to Limitation	<u>8,935,000</u>
Issuance Margin (current)	<u><u>\$2,261,707</u></u>

- (1) Effective with the 2001 pay 2002 property tax collection cycle, the definition of assessed value was modified from "one-third of True Tax Value" to "equals True Tax Value." However, the limitation regarding the issuance of general obligation debt was not modified and, accordingly, the statutory limitation is now defined as an amount equal to two percent of one-third of the assessed valuation of the District.

## **Direct and Overlapping Debt**

	<u>Principal Outstanding</u>	<u>Percent Applicable*</u>	<u>Allocated Debt</u>
<u>Direct Debt:</u>			
Merrillville Redevelopment District	8,935,000	100.00%	8,935,000
Total Direct Debt	<u>8,935,000</u>		<u>8,935,000</u>
<u>Overlapping Debt:</u>			
Lake County	\$ 42,895,000	9.03%	\$ 3,873,419
Lake County Public Library	32,235,000	16.28%	5,263,976
Merrillville Community Schools	55,087,601	72.60%	39,993,598
Multipurpose General Obligation Bonds - 2000	850,000	100.00%	850,000
Town of Merrillville	4,000,000	100.00%	4,000,000
Total Overlapping Debt	<u>135,067,601</u>		<u>53,980,993</u>
Total Direct and Overlapping Debt			\$62,915,993.33

\*Based on 2003 pay 2004 assessed valuations.

## **Per Capita Debt Service**

Population - 2000	30,990
Total Assessed Valuation 2002/2003	\$1,679,506,008
Total Direct and Overlapping Debt	\$62,915,993.00
Debt Per Capita	\$2,030
Ratio of Debt to Assessed Valuation	3.75%

## **Pension Obligations – General Overview**

All employees of the Town are covered under the federal Social Security Act. Employees participate in the Public Employees' Retirement Fund ("PERF") of the State of Indiana. Information regarding the specifics of the plan (including financial statement disclosures included in the Town's audited financial statements) is available from the Town upon request.

## ECONOMIC INFORMATION

### Population

<u>Year</u>	<u>Lake County</u>	<u>Town of Merrillville</u>
1970	546,253	27,223
1980	522,965	27,677
1990	475,594	27,257
2000	484,564	30,560

Source: U.S. Census Bureau

### Employment

Employment statistics for Lake County and the State of Indiana as of December 2003 are as follows:

	<u>Lake County</u>	<u>State of Indiana</u>
Labor Force	229,220	3,169,300
Number Employed	214,450	3,011,000
Number Unemployed	14,770	158,300
Rate of Unemployment	6.30%	5.00%

Source: Indiana Department of Workforce Development

### Largest Employers (as of December 31, 2003)

<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>
Whiteco Industries	Manufacturing	1,530
Merrillville Community Schools	Education	798
NiSource	Utility	708
United Conusmers Club	Retail Home Décor	175

Source: Merrillville Chamber of Commerce

## **Per Capita Income**

The table below sets forth estimated per capita income figures for Lake County and the State of Indiana:

<u>Year</u>	<u>Lake County</u>	<u>State of Indiana</u>
1999	\$ 24,986	\$ 25,615
2000	26,323	27,134
2001	26,580	27,619
2002	26,730	28,032

Source: Indiana Department of Commerce

## **Building Permits Issued**

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Residential Permits	114	85	76	58	71
Commercial/Industrial Permits	10	7	15	16	16
Public Institution Permits	1	2	6	1	4
Miscellaneous Improvements	467	487	407	465	467
Total Permits	592	581	504	540	558
Total Value (All Permits)	<u>\$ 40,754,967</u>	<u>\$ 28,619,674</u>	<u>\$83,758,142</u>	<u>\$39,258,519</u>	<u>\$38,291,660</u>

Source: Town of Merrillville

**Health Care.** St. Margaret Mercy, which operates a North and South wing, has 487 and 326 licensed beds, respectively. In addition to the hospital, a nursing home, three clinics and many medical offices serve the Town. Additional extensive hospital and health care facilities are available in the Calumet Region and Chicago area.

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## APPENDIX B

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August \_\_\_, 2005

Indiana Bond Bank  
Indianapolis, Indiana

Fifth Third Securities, Inc.  
Indianapolis, Indiana

U.S. Bank National Association  
Indianapolis, Indiana

Re: Indiana Bond Bank  
Special Program Bonds, Series 2005 B  
(Town of Merrillville Redevelopment District)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Indiana Bond Bank (the “issuer”) of its Special Program Bonds, Series 2005 B (Town of Merrillville Redevelopment District), dated August 30, 2005 (the “Bonds”), in the aggregate principal amount of \$8,935,000, pursuant to Indiana Code 5-1-5, as amended and the Trust Indenture, dated as of August 1, 2005 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). We have examined the law and such certified proceedings for the authorization, issuance and sale of the Bonds and such other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Indenture, the certified proceedings for the authorization, issuance and sale of the Bonds and other certifications of public officials furnished to us, and certifications, representations and other information furnished to us by or on behalf of the Issuer, the Series 2005 B Qualified Entity (as defined in the Indenture) and others, including certifications contained in the tax and arbitrage certificate of the Issuer, dated the date hereof, and the tax and arbitrage certificate of the Series 2005 B Qualified Entity, dated the date hereof, without undertaking to verify the same by independent investigation. We have relied upon the opinion of Barnes & Thornburg LLP, Indianapolis Indiana, counsel to the Issuer, dated the date hereof, as to the matters stated therein. We have relied upon the reports of London Witte Group LLC, Indianapolis, Indiana, independent certified public accountants, dated the date hereof, as to the matters stated therein.

For purposes of this opinion, we have assumed, without making any factual, legal or other inquiry or investigation, and without expressing any opinion or stating any conclusion with respect thereto, that the interest on the Town of Merrillville, Indiana Redevelopment District

General Obligation Bonds of 1998, dated as of \_\_\_\_\_, 1998, and issued by the Merrillville Redevelopment Commission (the "1998 Bonds") and the Town of Merrillville, Indiana Redevelopment District General Obligation Bonds of 2001, dated as of \_\_\_\_\_, 2001, and issued by the Merrillville Redevelopment Commission (the "2001 Bonds") (the 1998 Bonds and 2001 Bonds collectively, the "Refunded Bonds"), is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"). The entire outstanding principal amount of the Refunded Bonds is to be defeased with, among other funds, a portion of the proceeds of the Town of Merrillville Redevelopment District Special Taxing District Bonds, Series 2005 B, which will be acquired with a portion of the proceeds of the Bonds.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Issuer is a body corporate and politic validly existing under Indiana Code 5-1.5, with the corporate power to execute and deliver the Indenture and to issue, execute and deliver the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Issuer, and are valid and binding limited obligations of the Issuer, enforceable in accordance with their terms. The Bonds are payable solely from the Trust Estate (as defined in the Indenture.)
3. The Indenture has been duly authorized, executed and delivered by the Issuer, and is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms.
4. Under Section 103 of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that each of the Issuer and the Series 2005 B Qualified Entity comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Each of the Issuer and the Series 2005 B Qualified Entity has covenanted or represented that it will comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except for the opinion expressed in paragraph 5 hereof, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

5. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings.

6. Interest on the Bonds is exempt from income taxation in the State of Indiana (the "State") for all purposes, except the State financial institutions tax.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement dated August 18, 2005 or any other offering material relating to the Bonds.

With respect to the enforceability of any document or instrument, this opinion is subject to the qualifications that: (i) the enforceability of such document or instrument may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance and similar laws relating to or affecting the enforcement of creditors' rights; (ii) the enforceability of equitable rights and remedies provided for in such document or instrument is subject to judicial discretion, and the enforceability of such document or instrument may be limited by general principles of equity; (iii) the enforceability of such document or instrument may be limited by public policy; and (iv) certain remedial, waiver and other provisions of such document or instrument may be unenforceable, provided, however that in our opinion the unenforceability of those provisions would not, subject to the qualifications set forth herein, affect the validity of such document or instrument or prevent the practical realization of the benefits thereof.

Very truly yours,

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## APPENDIX C

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1221 Avenue of the Americas  
New York, New York 10020  
Telephone: (212) 478-3400

## **MUNICIPAL BOND INSURANCE POLICY**

**ISSUER:** [ ]

**BONDS:** [ ]

**Policy No:** [ ]

**Effective Date:** [ ]

**XL Capital Assurance Inc. (XLCA)**, a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00a.m. New York time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XCLA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

\_\_\_\_\_  
 Name  
 Title:

\_\_\_\_\_  
 Name:  
 Title:

## APPENDIX D

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## **APPENDIX D**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a summary of certain additional provisions of the Indenture not otherwise discussed in this Official Statement. This summary is qualified in its entirety by reference to the Indenture.

#### **Accounts and Reports**

The Bond Bank will keep proper and separate books of records and accounts in which complete and correct entries will be made of its transactions relating to the Funds and Accounts established by the Indenture. Such books, and all other books and papers of the Bond Bank, and all Funds and Accounts will at all reasonable times be subject to the inspection of the Trustee and the owners of an aggregate of at least 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Before the twentieth day of each month, the Trustee will provide the Bond Bank with a statement of the amounts on deposit in each Fund and Account as of the first day of that month and the total deposits to and withdrawals from each Fund and Account during the preceding month. The Bond Bank may provide for less frequent statements so long as such statements are supplied no less frequently than quarterly.

#### **Preservation of Tax Exemption for the Bonds**

In order to assure the continuing excludability of interest on the Bonds from the gross income of the owners thereof for purposes of federal income taxation, the Bond Bank covenants and agrees that it will not take any action or fail to take any action with respect to the Bonds, that would result in the loss of the exclusion from gross income for federal tax purposes of interest on any of the Bonds pursuant to Section 103 of the Code, nor will the Bond Bank act in any other manner which would adversely affect such exclusion and it will not make any investment or do any other act or thing during the period that the Bonds are Outstanding which would cause any of the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code, all as in effect on the date of delivery of the particular Series of Bonds. Pursuant to the Indenture, all of these covenants are based solely on current law as in existence and effect on the date of delivery of the particular Series of Bonds. It will not be an Event of Default under the Indenture if the interest on the Bonds is not excluded from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of the issuance of such Bonds.

In making any determination regarding the covenants, the Bond Bank may rely on an Opinion of Bond Counsel.

## **Covenants Concerning the Program**

In order to provide for the payment of the principal of, premium if any, and interest on the Bonds and of Program Expenses, the Bond Bank will from time to time, with all practical dispatch and in a sound and economical manner in accordance with the Act, the Indenture and sound banking practices and principals (i) do all acts and things as are necessary to receive and collect Revenues (including the enforcement of the prompt collection of any arrears on all Qualified Obligation Payments), and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect the rights of the Bond Bank with respect to the Qualified Obligations and to enforce all terms, covenants and conditions of the Qualified Obligations. Whenever necessary in order to provide for the payment of principal of and interest on the Bonds, the Bond Bank will also commence appropriate remedies with respect to any Qualified Obligation which is in default.

## **Covenants with Respect to Qualified Obligations**

With respect to the Qualified Obligations, the Bond Bank covenants as follows:

(a) Not to permit or agree to any material change in any Qualified Obligation (other than ones for which consent of the Bond Bank is not required) unless the Bond Bank supplies the Trustee with a Cash Flow Certificate to the effect that, after such change, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, in each such Fiscal Year.

(b) To the extent that such action would not adversely affect the validity of the Qualified Obligation or other obligations of the Qualified Entity, the Bond Bank will pursue the remedies set forth in the Act, particularly Indiana Code 5-1.5-8-5, for the collection of deficiencies in Qualified Obligation Payments on any Qualified Obligation by collection of such deficiencies out of certain State funds payable but not yet paid to a defaulting Qualified Entity.

(c) To enforce or authorize the enforcement of all remedies available to the Bond Bank as the owner or holder of the Qualified Obligations, unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that, if such remedies are not enforced, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds in each such Fiscal Year; provided, however, that decisions as to the enforcement of remedies shall be within the sole discretion of the Trustee.

(d) Not to sell or dispose of the Qualified Obligations, unless the Bond Bank first provides the Trustee with a Cash Flow Certificate to the effect that, after such sale, Revenues expected to be received in each Fiscal Year, together with moneys expected to be held in the Funds and Accounts, minus any proceeds of such sale or disposition transferred from any Fund or Account, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, in each such Fiscal Year.

## **Budgets**

The Bond Bank will adopt and file with the Trustee, upon the written request of the Trustee, and appropriate State officials under the Act an annual budget covering its fiscal operations for the

succeeding Fiscal Year not later than June 1 of each year. The annual budget will be open to inspection by any Owner of Bonds. In the event the Bond Bank does not adopt an annual budget for the succeeding Fiscal Year on or before June 1, the budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for the succeeding Fiscal Year until the annual budget for such Fiscal Year has been duly adopted. The Bond Bank may at any time adopt an amended annual budget in the manner then provided in the Act.

### **Defeasance and Discharge of Lien of Indenture**

If payment or provision for payment is made to the Trustee of the principal of and interest due and to become due on all of the Bonds then Outstanding under the Indenture, and if the Trustee receives all payments due and to become due under the Indenture, then the Indenture may be discharged in accordance with its provisions. In the event of any early redemption of Bonds in accordance with their terms, the Trustee must receive irrevocable instructions from the Bond Bank, satisfactory to the Trustee, to call such Bonds for redemption at a specified date and pursuant to the Indenture. Outstanding Bonds will continue to be a limited obligation of the Bond Bank payable only out of the moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid when (a) payment of the principal of that Bond, plus interest to its due date, either (i) has been made or has been caused to be made in accordance with its terms, or (ii) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (1) moneys sufficient to make such payment, (2) Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payments, or (3) a combination of such moneys and Governmental Obligations, and (b) all other sums payable under the Indenture, including the necessary and proper fees and expenses of the Trustee pertaining to the Bonds, have been paid or deposited with the Trustee.

### **Events of Default and Remedies**

Any of the following events constitutes an “Event of Default” under the Indenture:

- (a) The Bond Bank defaults in the due and punctual payment of the principal of or interest on any Bond;
- (b) The Bond Bank defaults in carrying out any of its other covenants, agreements or conditions contained in the Indenture or in the Bonds, and fails to remedy such Event of Default within sixty (60) days after receipt of notice, all in accordance with the Indenture;
- (c) Any warranty, representation or other statement by or on behalf of the Bond Bank contained in the Indenture, or in any instrument furnished in compliance with or in reference to the Indenture, is materially false or misleading when made, and there has been a failure to remedy such Event of Default within sixty (60) days after receipt of notice, all in accordance with the Indenture;
- (d) The Bond Bank fails to make remittances required by the Indenture to the Trustee within the time limits prescribed in the Indenture;
- (e) A petition is filed against the Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any

jurisdiction, whether now or hereafter in effect and is not dismissed within sixty (60) days after such filing;

(f) The Bond Bank files a voluntary petition in bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(g) The Bond Bank is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors, or a liquidator or trustee of the Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than sixty (60) days;

(h) The Bond Bank is rendered incapable of fulfilling its obligations under the Indenture for any reason.

Upon the occurrence of an Event of Default, the Trustee will notify the Series 2005 B Bond Insurer and the Owners of Outstanding Bonds of such Event of Default and will have the following rights and remedies:

(a) The Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest on Bonds outstanding under the Indenture, including any and all such actions arising under the Qualified Obligations.

(b) The Trustee may by action at law or in equity require the Bond Bank to account as if it were the trustee of an express trust for the Owners of the Bonds, and may take such action with respect to the Qualified Obligations as the Trustee deems necessary, appropriate and in the best interest of the Bondholders, subject to the terms of the Qualified Obligations.

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate under the Indenture and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment will confer. Notwithstanding the foregoing, for so long as the Series 2005 B Bond Insurance Policy is in full force and effect, in the event of any reorganization or liquidation plan with respect to the Bond Bank, the Series 2005 B Bond Insurer shall have the right to vote on behalf of the holders of the Series 2005 B Bonds.

(d) By notice to the Bond Bank and the Attorney General of the State, the Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act. Notwithstanding the foregoing, for so long as the Series 2005 B Bond Insurance Policy remains in full force and effect, there will not be any acceleration of principal of, or interest on, the Series 2005 B Bonds unless the Trustee receives the express written consent of the Series 2005 B Bond Insurer prior to taking such action.

If an Event of Default has occurred, if requested to do so by the Owners of 25% or more in aggregate principal amount of the Bonds Outstanding under the Indenture, and if indemnified as provided in the Indenture, the Trustee will be obligated to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in



the interest of the Bondholders[]; provided, however, that if the Series 2005 B Bond Insurance Policy is in full force and effect, the Trustee must receive the express written consent of the Series 2005 B Bond Insurer before exercising any such right or remedy in connection with the Series 2005 B Bonds].

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture will have the right, at any time during the continuance of an Event of Default, by a written instrument or instruments executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture. However, such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture[]; provided, however, that for so long as the Series 2005 B Bond Insurance Policy remains in full force and effect, the Trustee must receive the express written consent of the Series 2005 B Bond Insurer before conducting any such proceedings in connection with the Series 2005 B Bonds].

### **Waivers of Events of Default**

At its discretion, the Trustee may waive any Event of Default and its consequences, and must do so upon the written request of the owners of (a) more than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all Bonds then Outstanding in respect of which an Event of Default in the payment of principal or interest exists, or (b) more than fifty percent (50%) in aggregate principal amount of all Bonds then Outstanding in the case of any other default. However, there may not be waived (i) any Event of Default in the payment of the principal of any Bond then Outstanding under the Indenture at the specified date of maturity or (ii) any Event of Default in the payment when due of the interest on any Bond then Outstanding under the Indenture, unless prior to the waiver, all arrears of interest or principal due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default is discontinued or abandoned or determined adversely, then the Bond Bank, the Trustee and the Bondholders will be restored to their former positions and right under the Indenture. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

### **Rights and Remedies of Owners of Bonds**

No owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or for any other remedy under the Indenture, unless (a) a Default has occurred, (b) such Default shall have become an Event of Default and the owners of not less than 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered the Trustee reasonable opportunity either to proceed to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name, (c) such owners of Bonds have offered to indemnify the Trustee, as provided in the Indenture, and (d) the Trustee has refused, or for sixty (60) days after receipt of such request and offer of indemnification has failed, to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity must be carried out as provided in the Indenture and for the equal benefit of the owners of all Outstanding Bonds. However, nothing contained in the Indenture will affect or impair the right of any owner of Bonds to enforce the payment of the principal of and interest on any Bond at and after its maturity, or the limited obligation of the Bond Bank to pay the principal of and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner expressed in the Bonds.

## Supplemental Indentures

The Bond Bank and the Trustee may with the prior written consent of the Series 2005 B Bond Insurer for so long as the Series 2005 B Bond Insurance Policy remains in full force and effect, but, without the consent of or notice to any of the owners of Bonds, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity, formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the owners of Bonds then Outstanding any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, does not materially and adversely affect the interests of the Bondholders and does not otherwise require the unanimous consent of all Bondholders under the Indenture;
- (c) to subject to the lien and pledge of the Indenture additional Revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any Supplemental Indenture in order to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if the Bond Bank and the Trustee so determine, to add to the Indenture or to any Supplemental Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or similar federal statute;
- (e) to give evidence of the appointment of a separate or co-trustee, or the succession of a new Trustee or the succession of a new registrar and/or paying agent;
- (f) in connection with the issuance of Refunding Bonds;
- (g) to provide for the refunding of all or a portion of the Bonds; and
- (h) to amend the Indenture to permit the Bond Bank to comply with any future federal tax law or any covenants contained in any Supplemental Indenture with respect to compliance with future federal tax laws.

With the exception of Supplemental Indentures for the purposes described in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding which are affected (other than Bonds held by the Bond Bank) will have the right from time to time to consent to and approve the execution by the Bond Bank and the Trustee of any Supplemental Indenture or indentures deemed necessary and desirable by the Bond Bank or the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture[, but only with the express written consent of the Series 2005 B Bond Insurer for so long as the Series 2005 B Bond Insurance Policy remains in full force and effect]; provided, however, no Supplemental Indenture may permit or be construed as permitting, without the consent of the owners of all Bonds then Outstanding under the Indenture and the Series 2005 B Bond Insurer for so long as the Series 2005 B Bond Insurance Policy remains in full force and effect, (a) an extension of the stated date for maturity or redemption or a reduction in the principal amount of or redemption premium, or reduction on the rate or extension of the time of payment of the interest on, any Bonds, (b)

a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (c) a reduction in the aggregate principal amount of the Bonds, the owners of which are required to consent to such Supplemental Indenture, (d) the creation of any lien securing any Bonds other than a lien ratably securing all of the Bonds at any time Outstanding, or (e) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee, without the written consent of the Trustee.

#### **Additional Provisions Regarding the Series 2005 B Bond Insurer**

The consent of the XLCA is required for all amendments to the Indenture and XLCA must be given prior notice of any such amendment. A copy of any amendment to the Indenture which is consented to XLCA must be sent to S & P. If principal and/or interest due on the Series 2005 B Bonds is paid by the XLCA, the Series 2005 B Bonds shall remain outstanding under this Indenture for all purposes, and shall not be deemed defeased on otherwise satisfied, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Bond Bank to the Bondholders shall continue to exist and shall run to the benefit of XLCA. XLCA shall be subrogated to the rights of such Bondholders.